

Case study of strategic human resource management in Walmart stores

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Introduction:

Michael E. Porter (1980) in his famous book said there are three basic competitive strategies for a company, which are overall cost leadership; differentiation and focus strategy. Companies use these competitive strategies to achieve competitive advantage. In this case, Walmart Company is obviously taking the cost leadership strategy, that is to say, it aims to become the low-cost leader in the retail industry. Walmart maintains its competitive advantage through its satellite-based distribution system, and by keeping store location costs to a minimum by placing stores on low-cost land outside small to medium-sized towns, no matter in the US or in its abroad affiliations.

Part 1: the analysis of corporate strategy and HR strategy at Wal-Mart.

From this case material we could also see that Walmart purchased massive quantities of items from its suppliers to form scale economy, and with the efficient stock control system helping make its operating costs lower than those of its competitors. It also imported many goods from China, “the world factory” for its low cost. So in a word the company-level strategy of Walmart is low cost and low cost, with little differentiation strategy.

Managers engage in three levels of strategic planning (Gary Dessler, 2005): the corporate-level strategy; the business-level strategy and the function-level strategy. The functional strategy should serve the overall company strategy so the corporate strategy could be implemented more effectively and efficiently. As for Walmart, its corporate-level strategy and business-level strategy, as we analyzed above, is the low cost leadership. Then we’ll focus on its functional strategy, especially its HR strategy. Besides the above factors, Walmart builds its low cost leader on employment policies that help it to achieve extraordinarily low employment costs. Through low-cost HR activities, Walmart tried to maintain its predominate competitive advantage.

Part 2: The analysis of HR policies at Walmart and its integration with Corporate Strategy.

The basic premise that underlying SHRM is that organizations adopting a particular strategy require HR practices that are different from those required by organizations adopting alternative strategies (Jackson&Schuler, 1995). Generally, there are three SHRM theoretical models in the study of this discipline: the universalistic best practices, the contingency perspective of “best fit” and the resource-based configuration perspective. Here I would not deliberate on all these three models to examine the HR practices at Walmart, but just choose the contingency perspective of “best fit”. With this view, the individual HR practices will be selected based on the contingency of the specific context of a company. Like the Walmart has different corporate strategy with those retailers with differentiation strategy, which actually cultivates the primary contingency factor in the SHRM literature. What’s more, we should be reminded that the individual HR practices will interact with firm strategy to result in organizational performance, and just for this interaction effects make the “universal best practices” may not apply so well in a specific company. In the above part we

have put great emphasis in identifying and analyzing the primary contingency factor of Walmart's corporate strategy, so in the following part we'll examine the "fitness" of HR practices in Walmart with this theoretical model, which is obviously also the integration process of HR practices with the contingency variables to some extent. As there are the HR policies and activities (such as how the company recruits, selects, and trains and rewards employees) that comprise the HR system itself, here we could illustrate the integration just by the sequence of the HR activities.

From the recruitment Walmart has tried its best to reduce the cost considering so big number of its employees. For example, the New York Times (January 2004) reported on an internal Walmart audit which found "extensive violations of child-labor laws and state regulations requiring time for breaks and meals." The cheap price of children labors and minors make it earn more cost competitive advantage over other companies. Walmart also faced a barrage of lawsuits alleging that the company discriminates against workers with disabilities, for the recruitment of these guys means providing more facilities for them and the lost of efficiency to some extent.

From training perspective, Walmart refers to its employees as "associates", and encourages managers to think of themselves as "servant leaders", that is, to encourage them to serve others while staying focused on achieving results in line with the organization's values and integrity. An organization's strategy necessitates behavioral requirement for success, and the use of HR practices in the organization can reward and control employee behavior, therefore the organization should implement HR practices that encourage the employee behaviors that are consistent with the organization's strategy (Delery, John E; Doty, D Harold, 1996). Through this training and encouragement, Walmart tried to adjust the employee behaviors and competencies to what the company's strategy requires, that is to low down cost more. This logic also is embodied in its "lock-in" of its night time shift in various stores. Through this enforced policy, Walmart tried to prevent "shrinkage" behavior of its employees, to eliminate unauthorized cigarette breaks or quick trips home.

From the performance management perspective, Walmart made very high demanding standards and job designs. The New York Times reported Walmart had extensive violations of state regulations requiring time for breaks and meals. And there are so many instances of minors working too late, during school hours, or for too many hours in a day, for the performance appraising just force them to do so. In the Career management, Walmart also goes great lengths to reduce cost, there are many cases that women sued Walmart for its discriminated policy against women by systematically denying them promotions and paying them less than men. Women are pushed into "female" departments and are demoted if they complain about unequal treatment just for more cost reduction against its competitors.

From the compensation management perspective, Walmart has also showed very aggressive HR policies and activities to fit the "low-cost" strategy. Walmart imported \$15 billion worth of goods from china, not only for the strategic consideration of supplier chain economy, but also Walmart has some factories in china, whose products are branded with Walmart name. With this method, Walmart pays much less to Chinese labors in this "world-factory" and earn some advantages, so we could just see how the Walmart corporate strategy is just intensely integrated with its HR policy. In 2002, operating costs for Walmart were just 16.6 percent of total sales, compared to a 20.7 average for the retail industry as a whole, which supported greatly the overall strategy. Walmart workers in California earn on average 31 percent less than workers employed in large retail as a whole. Actually, with other operating and inventory costs set by higher level management, store

managers must turn to wages to increase profits, and Walmart expects the labor costs to be cut by two-tenths of a percentage point each year. So these aggressive HR policies, are just the most “fittest”.

From the employee benefit and safety perspective, Walmart’s HR policies are also well aligned with the corporate-level strategy. At Walmart, workers eligible for benefits such as health insurance must pay over the odds for them. In 1999, employees paid 36 percent of the costs. In 2001, the employee burden rose to 42 percent. While in the US, large-firm employees pay on average 16 percent of the premium for health insurance. Unionized supermarket workers typically pay nothing. Walmart was frequently accused of not providing employees with affordable access to health care, but the top managers and HR managers know their focus was just to try their most to implement the “low-cost” strategy.

Finally, from the labor relations perspective, Walmart couldn’t have done better to show us how the contingency model of “best fitness” works. Sam Walton sought to bring great value through aggressive discounting to customers, to implement its low-cost strategy. Because unionized supermarket workers typically pay nothing, Walmart has strong anti-union policy. Allegations of firing workers sympathetic to labor organizations have been made, all new employees are shown a propaganda video tape which said joining a union would have bad implication for them, and the employees should never sign a union card. In the UK it was reported in the Guardian that Walmart is facing the prospect of a bruising legal battle with the GMB trade union in a row over collective bargaining rights, for the union would not accepting Walmart withdrew a 10% pay offer to more than 700 workers after they rejected a new package of terms and conditions, which included giving up rights to collective pay bargaining. Here there may be some doubt why Walmart has recently allowed unionization in their stores in China, where unionization is mandatory. But actually this mandatory rule is made a long time before Walmart walk into china, so why Walmart give up its persistence in not having a some unions, and its former reason to China government is that it did not have any unions in its global working. So how do we see Walmart’s compromise if that constitutes a “compromise”? It has been argued that doing business in China is particularly difficult because of the higher relative importance of personal relationships (guanxi), as opposed to the specification and enforcement of contracts in the West (Davies et al, 1995). Walmart China has tried every effort to develop good relationships with China government and other influence groups. So Walmart made this exception of have unionizations is just in accordance with its corporate strategy and HR strategy. If it ignores the Chinese government’s firm rule, its cost would just outweigh what it would save by organizing no unions in its labor relations management. And also it forgets not its basic corporate and HR strategy, for in china Walmart provides little power for workers and the unions are controlled by the state. So from this we could further understand how Walmart would adjust its HR policies and activities to fit its corporate strategy contingency.

Part 3: the role of the HR manager in this company?

So in the above part we have assessed how various human resource practices and systems of Walmart “fit” the organization’s competitive corporate strategy. Then what the role of HR managers in this company, who are HR professionals with strategic and other skills required to build a strategy-oriented HR system. As managers in one of the functional departments of Walmart, they have tried their best to “fit” the corporate strategy to low down cost. They made some rules and policies, for example, they implement anti-union policy in its stores to reduce extra-costs from union workers; they help implement “lock-in” policies; they tried to resist disability people for the

efficiency loss; they discriminate women by giving them much fewer money and opportunities to be promoted, and actually the male workers in Walmart also got much lower salary compared with industry average level. Walmart HR managers also tried to adjust the employee behaviors and competencies to what the company's strategy requires through the actions and policies of the firm's strategy-supporting HR system, and some of which we have listed.

So in the above paragraph, we have analyzed the role of HR managers in Walmart using the "best fit" model, in the next we would attempt to analyze their role from two other models. Huselid's (1995) work reflects what has come to be known as the "universalistic" or "best practice" approach to SHRM, which assumes that there are certain "best" HRM practices that will contribute to increased financial performance, regardless of the strategic goals of the firm. In this case, for example, Walmart HR managers refers to its employees as "associates", and encourages managers to think of themselves as "servant leaders", that is, to encourage them to serve others while staying focused on achieving results in line with the organization's values and integrity. All such kinds of HR policies just are universal best practices adopted by HR department in all good companies. No matter Walmart adopted low-cost strategy or differentiation strategy, these policies and practices would bring no extra cost, but would motivate employees to contribute more to the corporate, and even help to form even good corporate culture, to reduce much more lawsuits and form good relationships with the community and government. And then there is also a call for a configurational approach to SHRM, and this theoretical model argues that there are specific "ideal types" of HRM systems that provide both horizontal and vertical fit of HRM practices to organizational structure and strategic goals. More specifically, there are certain, specific systems of HRM practices that result in the highest internal consistency and complementarity (horizontal fit), as well as congruence with organizational goals (vertical fit). In the part 2, we have seen how Walmart HR managers have coordinated a systematic type of HRM policies to complement each other, to be congruent with organizational goals (Gerald R.Ferris, 1999).

Part 4: some advices to improve the employment practices at Walmart.

Actually from the above analysis of the role of HR managers, we knew from different theoretical SHRM models, there are still many things for HR managers to improve. The resource-based view focuses on firm resources that can be sources of competitive advantage within the industry. Three basic types of resources can provide this competitive advantage (Barney, 1991). Human capital resources include such things as the skills, judgment, and intelligence of the firm's employees. So from the case material we just most information concerning how Walmart exploited its workers by various HR policies to low down the cost to the minimum level, which would certainly reduce the loyalty and dedication of those human resource in the company. And besides referring to its employees as "associates", and encourages managers to think of themselves as "servant leaders", there seems little training and other activities taken to develop its valuable human resources, while human capital and learning could be a core source of sustainable competitive advantage (Nile & Jeffrey, 2004). As for the specific training and develop methods and forms, it would depend upon the specific and proper time, place and the right store. But what's worth mention is the HR managers should pay more dynamic and long-term attention when it calculates the future benefits of such HR practices.

As for the present employment practices, even with the "contingency model of best fit", there may still many opportunities for improvement. It's really hard to be measure whether Walmart's aggressive actions to bring cost down really get its strategy in the long term. The workers are

complaining its discrimination and low compensation policies, and they bring many charges against Walmart in the world. The government and other communities are just turning more and more sensitive to Walmart's way of aggressive acting, all these bring big damage, or even bigger cost, to Walmart's reputation and may very well affect its ability of long-term profitability. It imported so much goods from China, and it even possess some sweat shops in less developed countries to produce products with Walmart brand, which cultivate many problems such as business ethics, followed by the opposition of its consumers, the final source of profit. So it seems Walmart HR professional would harvest more by seeing the long-term potential cost, and with more advanced management tools.

Conclusion:

So from all those above content we know the human resource management is of strategic importance to Walmart, which is also the definition of SHRM. So the top managers besides the HR executive should pay more attention to the everyday employment management, after all, the issues that are related with employment are what they must face everyday. So they should play more positive roles in training and using their human resources, and maybe cultivating better organization culture, all of which may prove more cost-saving, and correspondingly help realize Sam Walton's simple philosophy of "bringing more value to customers".

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